

# **THE LEONARD LETTER**

*A weekly electronic newsletter about  
California government, business and taxes  
Bill Leonard, Member  
State Board of Equalization*

*July 10, 2006*

## **QUOTE OF THE WEEK**

*"Love your country and live with pride  
and don't forget those who died.  
America, can't you see.*

*All gave some and some gave all.  
Some stood through for the red, white and blue,  
and some had to fall.*

*And if you ever think of me, think of all  
your liberties, and recall, yes recall,  
some gave all. Some gave all."*

*"Some Gave All" Words & Music by Billy Ray Cyrus and Cindy Cyrus*

## **AROUND THE STATE**

### **\*\*\* Enforcement First\*\*\***

In the heated discussions over illegal immigration, there are many Republicans and businesspeople who support amnesty, a guest worker program, or other incarnation of permitting illegals to stay in the U.S. to provide labor in certain industries. I, on the other hand, am pleased to stand with the leading voices of the conservative movement who echo this sentiment expressed by columnist Thomas Sowell: "It will take time to see how various new border control methods work out in practice and there is no reason to rush ahead to deal with people already illegally in this country before the facts are in on how well the borders have been secured."

In "An Open Letter to President Bush, Senate Majority Leader Frist, and Speaker of the House, Hastert", a who's-who of conservatives expressed what is on the mind of most people who approach me to talk about the issue: "First border and interior enforcement must be funded, operational, implemented, and proven successful and only then can we debate the status of current illegal immigrants, or the need for new guest worker programs. We are in the middle of a global war on terror. 2006 is not 1986. Today, we need proof that enforcement (both at the border and in the interior) is successful before anything else happens. As Ronald Reagan used to say trust, but verify."

Amen. Enforcement first honors the rule of law and allows us to get a handle on the influx before we decide how to handle industry's need for cheap labor. To read the whole letter and see the distinguished list of conservative leaders who signed it, go to:

[http://www.hudson.org/index.cfm?fuseaction=publication\\_details&id=4074&pubType=HI\\_Press Releases](http://www.hudson.org/index.cfm?fuseaction=publication_details&id=4074&pubType=HI_Press_Releases)

### **\*\*\*Picking Winners and Losers\*\*\***

If you paid any attention to the Democrat primary you noticed one key difference between Steve Westly and Phil Angelides was their position on taxes. Angelides talked about the need to raise a variety of taxes whereas Westly talked about the need to resist tax increases so our economy can thrive. It was not surprising that Angelides backs tax hikes; he always has. What I was surprised by was the more recent announcement by Angelides that he supports a tax break for Hollywood. I find that hypocritical. Angelides should be ashamed for taxing mom-and-pop stores out of business while advocating tax breaks to entertainment moguls. I, on the other hand, support tax breaks for everyone—from the corner dollar store to Hollywood producers.

The difference is our belief about the purpose of the tax system. I see it as a necessary evil. Angelides and his ilk see it as a way to pick winners and losers. They see it as a way to reward friends (Hollywood liberals) and punish enemies (small businesses, families, entrepreneurs, manufacturers, etc.) I do not want the film, television and commercial industries to leave California. I support the idea of tax break for them because it means more jobs will stay here instead of going to other states and countries. However, I want to take it several steps further: I want to reduce regulation that constrains every industry, not just the glamorous ones, and I want to reduce taxes for everyone, not just political allies.

### **\*\*\*Retirement Crisis or Full-time Hype?\*\*\***

Now that the Baby Boomers born after World War II are reaching retirement age, they threaten to create a crisis of continuity and management for our state government. Something like 50% of our top employees may retire in the next five years. In most cases, we have done too little to recruit and train the next generation of managers who will take over when the Baby Boomers retire. At least, that is the way this gloom-and-doom story is normally told.

For a contrary perspective, I commend Ken Mandler's article in the Capitol Weekly. He points out that only 10 percent of current state employees worked for their current state agency eight years ago. Only 54,259 of our 223,000 state government employees worked in any part of state government just eight years ago.

As the author explains, "State personnel offices are producing these 'retirement crisis' reports right and left. They are produced because, first, they are easy to produce--a simple computer analysis is required--and, two, they appear to justify more personnel office employees. The reports serve as a full employment act for personnel employees." Read the rest of the article online at:

[http://www.capitolweekly.net/news/article.html?article\\_id=241](http://www.capitolweekly.net/news/article.html?article_id=241)

Clearly, the Baby Boomer retirement crisis is manufactured, but it speaks to a real crisis that has been ongoing, perhaps for two or three decades. Turnover has been high for some time now. Why does the state not have programs in place to recruit and train higher level managers? Instead of adjusting to the reality of high turnover, we seem to be depending on luck that management positions will always be filled by good managers.

## **UNDER THE DOME**

### **\*\*\*Telecom Tug of War\*\*\***

I have praised Anaheim for opening its doors to competitive telecommunications and rejecting the idea of franchise agreements for any telecom provider—cable TV, telephone, or otherwise. I am dismayed that instead of encouraging such arrangements, the legislature is actually going the opposite direction and considering establishing a new, statewide bureaucracy to oversee telephone companies that want to compete with cable providers. It is another example of fast-moving technology outpacing the ability of a lumbering state bureaucracy. AB2987 was unanimously passed by the Assembly, but not because Assemblymembers liked it. They simply punted the measure to the Senate to settle the dispute between the major telephone companies that want to get into the video business, the cable television companies who want to keep them out, and the local governments that currently have franchise agreements with cable providers. Telephone companies do not want to have to negotiate franchise agreements with every city in the state, as cable companies have to do now. Their alternative: negotiate all the agreements with the state. Among the problems with that is the fact that no state agency wants the job. The Senate Utilities and Commerce committee has settled on the Public Utilities Commission, but that is not viewed as a highly efficient nor consumer-friendly entity. Senator Cox raised a very relevant issue: who will pay for this new bureaucracy? There is no funding mechanism in the bill or the state budget; there are no state employees available to do the job now. A bunch of new bureaucrats are not the answer to the future of telecommunications.

## **MISCELLANY**

### **\*\*\*California County History\*\*\***

Nevada County was created in 1851 and named after the mining town of Nevada City. The word “Nevada” in Spanish means “snowy” or “snowcovered,” a prevalent condition in the Sierra Nevada mountains. The early settlers and prospectors often stopped near what became Nevada City for rest after the trip west and crossing the Donner Pass. In 1849, two groups of pioneers decided to go no farther west and began settling the area. As the gold rush peaked, the area thrived.

The Truckee River runs through Nevada County. This name came about from a helpful Paiute guide. The year was 1844 and the Paiute was helping a group of whites through the area. He

kept repeating the word “tro-kay.” The whites assumed this to be the guide’s name, but later learned that he was saying “everything is all right” so that the whites would not think he was hostile. The town of Truckee was added to Nevada County when it was created so that the county included access to the transcontinental railroad. In 1960 the Winter Olympics were held ten miles outside of Truckee at Squaw Valley.

In more recent years, more than 50 high tech and applied technology companies have located in Nevada County. For this reason, the county is called the “Silicon Valley of the Sierras.” Among the technological innovations credited to the region:

- The world's first long-distance telephone call was made from Nevada City, California to Washington, California;
- Nevada City and Grass Valley were among the first California towns with electric lights.
- Atari developed its first home computer video games in Nevada County;
- Nearly every broadcast television station utilizes video/broadcasting equipment designed and manufactured by The Grass Valley Group;
- The development and manufacture of the first electronic medical dosing equipment;
- The first commercially viable picture-phone was developed in Nevada City.

### **\*\*\*A Good Read\*\*\***

Back in 1994, Newt Gingrich brought his bold vision of leadership and America’s future to the doorstep of American voters with the “Contract for America.” By promising to make reforms in how Congress was run (i.e., open committee meetings to the public) and then passing significant legislation to the floor (i.e., the Take Back Our Streets anti-crime package), the Republican candidates for Congress had a concrete, specific package of action to share with voters. The ideas made sense, appealed to people’s values and concerns about the direction of the country, and ultimately were responsible for the Republican victory that fall. Going into the 2006 election, Gingrich has updated and enhanced the Contract in the book “Winning the Future: A 21<sup>st</sup> Century Contract with America.” He explains that these days, “Americans are frustrated with government that can’t do what government is supposed to do: protect our lives, our property, and our way of life,” and he offers a serious, intelligent list of specific changes that should be made to improve our government, secure our nation and instill confidence in our representative system.

If you agree with these thoughts he offers in the introduction, you will enjoy the rest of the work: “Legislators who are scrambling in the aftermath of the Jack Abramoff scandal to enact piecemeal reforms to lobbying rules believe they are enacting change, and that may well be. But real change means understanding that the problem isn’t an individual lobbyist. The problem in Washington is a government so powerful and bloated that a special interest group would decide it’s worth their while to spend \$80 million to hire a lobbyist like Jack Abramoff. Real change means understanding that government larded with pet projects and unnecessary spending is an invitation to corruption. The way to end that corruption is through a recommitment to limited but effective government.” Appendix B is worth reading just by itself, especially if you are about to visit the Washington, D.C. Gingrich calls it “Our Creator in the Capital” and he tells you where to find God, the Bible and expressions of faith in our national monuments and documents.

## **BOE AND LEGISLATIVE DATES**

**July 18, 2006** --- BOE meets in Sacramento.

**August 7, 2006** --- Legislature reconvenes from summer recess.

**August 16, 2006** --- BOE meets in San Diego.

**August 29, 2006** --- BOE meets in Sacramento.

**August 31, 2006** --- Final recess of legislature begins upon adjournment.

**September 4, 2006** --- Labor Day.

**September 12-13, 2006** --- BOE meets in Culver City.

**September 26-27, 2006** --- BOE meets in Sacramento.

**September 30, 2006** — Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in his possession on or after September 1 (Art. IV, Sec.10(b)(2)).

## **NOTABLE DATES/ HISTORY**

**July 10, 1040** --- Lady Godiva rode naked on horseback to force her husband, the Earl of Mercia, to lower taxes.

**July 10, 1913** --- The National Weather Service recorded a temperature of 57°C (134° F) in California's Death Valley, the highest temperature ever measured in the United States.

**July 10, 1999** --- After playing to a scoreless tie through regulation and overtime, the U.S. women's soccer team defeated China in a shootout, 5-4, to win their second World Cup.

**July 11, 1798** --- The U.S. Marine Corps was formally re-established by “An Act for Establishing a Marine Corps” passed by the U.S. Congress. The act also created the U.S. Marine Band. The Marines were first commissioned by the Continental Congress on November 10, 1775.

**July 11, 1905** --- W. E. B. Du Bois, Monroe Trotter, and other prominent African Americans met in Niagara Falls to found the Niagara Movement to demand full citizenship rights for African Americans.

**July 12, 1984** --- Geraldine Ferraro became the first woman on a major-party U.S. presidential ticket when Democratic presidential nominee Walter Mondale chose the New York congresswoman as his running mate.

**July 13, 1787** --- Congress established the Northwest Territory and excluded slavery therein. This area became the states of Ohio, Indiana, Illinois, Michigan, Wisconsin, and part of Minnesota.

**July 14, 1099** --- In the First Crusade, a force of European Christians conquered the walled city of Jerusalem, massacring thousands of residents.

**July 14, 1789** --- In the pivotal event of the French Revolution, a Paris mob stormed and captured the Bastille, a royal prison fortress that was the symbol of the old regime.

**July 14, 1798** --- The first direct federal tax on states was implemented. It taxed dwellings, land and slaves.

**July 15, 1149** --- The Church of the Holy Sepulchre in Jerusalem was dedicated at the site where Jesus is said to have been entombed after his crucifixion.

**July 15, 1971** --- President Richard M. Nixon announced his plan to visit China as a step toward reopening relations with the country.

**July 15, 1979** --- In a nationally televised address that became known as the “malaise speech” President Jimmy Carter announced steps to reduce the country's dependence on foreign energy supplies.

**July 16, 1945** --- The U.S. government conducted the first atomic explosion, code-named “Trinity,” near Alamogordo, New Mexico, less than one month before dropping similar devices on Hiroshima and Nagasaki, Japan.

**July 16, 1964** --- In his acceptance speech for the Republican nomination for president, Arizona senator Barry Goldwater declared, “extremism in the defense of liberty is no vice.”

## GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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